CHRISTIAN FAMILY CARE AGENCY, INC.

Consolidated Financial Statements
September 30, 2015
With Independent Auditors' Report

CHRISTIAN FAMILY CARE AGENCY, INC.

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Romek, Sanders & Company, P.C.
Certified Public Accountants
Members of American Institute of Certified Public Accountants
and Arizona Society of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Christian Family Care Agency, Inc.

We have audited the accompanying consolidated financial statements of Christian Family Care Agency, Inc. (an Arizona corporation, not for profit), which comprise the consolidated statement of financial position as of September 30, 2015, and the related consolidated statements of activities, functional expenses and cash flows for the year ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Christian Family Care Agency, Inc. as of September 30, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Romek Sanders & Company, PC.

February 5, 2016

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CHRISTIAN FAMILY CARE AGENCY, INC.
Consolidated Statement of Financial Position
September 30, 2015

ASSETS		
Cash and cash equivalents	$	1,234,020
Investments		143,387
Prepaid expenses		22,735
Accounts receivable		879,562
Investment restricted for deferred compensation plan		198,433
Investments restricted for charitable trust		1,419,019
Land, buildings and equipment, at cost, less accumulated depreciation		794,015
Other assets		12,500
Total assets	$	4,703,671
LIABILITIES		
Accounts payable	$	125,995
Accrued liabilities		
Payroll and other benefits		284,209
Deferred compensation liability		198,433
Interest		1,218
Unearned revenue		42,428
Capital lease payable		14,866
Note payable		373,442
Agency fund		7,667
Total liabilities		1,048,258
NET ASSETS		
Unrestricted		
Undesignated		1,474,311
Designated		300,000
Investment in land, buildings and equipment		405,707
		2,180,018
Temporarily restricted		1,475,395
Total net assets		3,655,413
Total liabilities and net assets	$	4,703,671

The accompanying notes are an integral part of this statement

CHRISTIAN FAMILY CARE AGENCY, INC.
Consolidated Statement of Activities
For the Year Ended September 30, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT			
Service fees	$ 4,762,131	$ -	$ 4,762,131
Contributions	1,646,169	114,705	1,760,874
Thrift store sales	355,180	-	355,180
Special events	56,936	-	56,936
Interest and dividends	6,868	32,695	39,563
Realized and unrealized losses, net	(5,511)	(72,437)	(77,948)
Other	819	-	819
Net asset released from restrictions:			
Satisfaction of program and supporting activities	127,549	(127,549)	-
Total revenues and support	6,950,141	(52,586)	6,897,555
EXPENSES			
Program services	4,973,384	-	4,973,384
Supporting activities			
Fundraising	432,865	-	432,865
General and administrative	497,081	-	497,081
Total supporting activities	929,946	-	929,946
Total expenses	5,903,330	-	5,903,330
CHANGE IN NET ASSETS	1,046,811	(52,586)	994,225
NET ASSETS, beginning of year, as previously reported	1,171,539	1,527,981	2,699,520
PRIOR PERIOD ADJUSTMENT	(38,332)	-	(38,332)
NET ASSETS, beginning of year, as restated	1,133,207	1,527,981	2,661,188
NET ASSETS, end of year	$ 2,180,018	$ 1,475,395	$ 3,655,413

The accompanying notes are an integral part of this statement

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CHRISTIAN FAMILY CARE AGENCY, INC.
Consolidated Statement of Functional Expenses
For the Year Ended September 30, 2015

	Program Services				
	Adoption/ Pregnancy	Counseling	Foster Care	Visitation	Other
Salaries	$ 448,552	$ 444,121	$ 1,393,347	$ 287,235	$ 148,201
Employee benefits and taxes	83,677	69,465	225,283	30,309	24,967
Total salaries and related benefits	532,229	513,586	1,618,630	317,544	173,168
Facilities	10,855	10,819	31,391	5,046	2,337
Insurance	14,815	10,212	33,798	2,451	12,557
Office	33,164	23,955	79,633	11,514	5,420
Rent	-	1,270	-	-	-
Professional services	397	4,160	149	-	-
Depreciation	14,308	10,724	31,991	3,722	1,793
Dues, training, and conferences	8,336	7,473	6,629	-	10,279
Printing and marketing	5,330	46	6,970	-	2,126
Travel and transportation	18,879	8,260	65,835	70,011	6,178
Bad debts	-	21,877	5,956	1,318	-
Birth parent living and legal fees	62,554	-	-	-	-
Theraputic foster and respite care	-	572,288	18,564	-	-
Foster care recruitment and training	-	-	22,886	-	-
Parent reimbursement	-	-	177,119	-	-
Special events	-	-	-	-	-
Bank and investment fees	-	-	-	-	-
Interest	3,462	2,191	8,165	1,305	575
Other	10,815	9,394	26,221	16,394	1,254
Total expenses	$ 715,144	$ 1,196,255	$ 2,133,937	$ 429,305	$ 215,687

The accompanying notes are an integral part of this statement

		Supporting Activities			
Thrift Stores	Total Program Services	Fundraising	General and Administrative	Total Supporting Activities	Total
$ 96,691	$ 2,818,147	$ 193,251	$ 252,234	$ 445,485	$ 3,263,632
17,828	451,529	34,583	47,116	81,699	533,228
114,519	3,269,676	227,834	299,350	527,184	3,796,860
26,082	86,530	2,864	20,194	23,058	109,588
-	73,833	2,986	18,213	21,199	95,032
9,721	163,407	12,047	40,098	52,145	215,552
107,177	108,447	-	-	-	108,447
206	4,912	14,476	51,403	65,879	70,791
922	63,460	1,922	9,682	11,604	75,064
-	32,717	323	12,515	12,838	45,555
8,131	22,603	123,564	569	124,133	146,736
8,432	177,595	94	2,689	2,783	180,378
-	29,151	-	-	-	29,151
-	62,554	-	-	-	62,554
-	590,852	-	-	-	590,852
-	22,886	-	-	-	22,886
-	177,119	-	-	-	177,119
-	-	34,381	-	34,381	34,381
5,424	5,424	402	19,901	20,303	25,727
-	15,698	622	5,491	6,113	21,811
2,442	66,520	11,350	16,976	28,326	94,846
$ 283,056	$ 4,973,384	$ 432,865	$ 497,081	$ 929,946	$ 5,903,330

CHRISTIAN FAMILY CARE AGENCY, INC.
Consolidated Statement of Cash Flows
For the Year Ended September 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 994,225
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	75,064
Distributions paid from charitable trust	67,220
Interest, realized and unrealized losses restricted for charitable trust	39,742
Unrealized losses on investments	25,158
Changes in assets and liabilities, net	
(Increase) in assets:	
Investments	(32,003)
Prepaid expenses	(6,114)
Accounts receivable	(444,867)
Increase (decrease) in liabilities:	
Accounts payable	60,220
Accrued liabilities	
Payroll and other benefits	74,659
Interest	1,218
Unearned revenue	41,044
Agency fund	(102)
Total adjustments	(98,761)
Net cash provided by operating activities	895,464
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(46,132)
Net cash (used) by financing activities	(46,132)
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on capital lease payable	(9,631)
Payments on note payable	(14,886)
Net cash (used) by financing activities	(24,517)
NET INCREASE IN CASH AND CASH EQUIVALENTS	824,815
CASH AND CASH EQUIVALENTS, beginning of year	409,205
CASH AND CASH EQUIVALENTS, end of year	$ 1,234,020

The accompanying notes are an integral part of this statement

NOTE 1 – Description of Organization and Summary of Significant Accounting Policies

Description of Organization

Christian Family Care Agency, Inc. ("CFC") was incorporated in March 1982 in the State of Arizona as a not for profit corporation. CFC is a social services organization that provides adoption, foster care and counseling programs focused on meeting the needs of pregnant women, children and families in Arizona. CFC has administrative and counseling offices and a thrift store in Phoenix and in Tucson.

During March 2006, the Arizona Children's Legacy (the "Legacy") was incorporated as a separate not for profit corporation. The Legacy was created to operate exclusively as a "support organization" to perform the charitable functions of, and carry out the charitable purposes of CFC. The Legacy includes three limited liability companies which are solely-owned by the Legacy, which own real property and are responsible for the maintenance of these properties.

CFC is under contract with the Arizona Department of Child Safety (DCS) and Arizona Department of Economic Security Division of Development Disabilities (DDD) to provide certain client services to families and individuals within the programs. This income is subject to specific compliance and delivery of service requirements, which are subject to review by the grantor. During the year ended September 30, 2015, CFC received 41% of its total consolidated revenues and support from services fees related to contracts with DCS and DDD.

Consolidated Financial Statements

The financial statements have been consolidated to include the accounts of Christian Family Care Agency, Inc., Arizona Children's Legacy and the Legacy's wholly owned subsidiaries. The statements are consolidated since CFC has both an economic and controlling interest in the Legacy.

For the year ended September 30, 2015, the consolidated activities of these entities are referred to as the "Organization" in these consolidated financial statements.

Basis of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all revenues when earned, rather than when received, and reflect all expenses when incurred, rather than when paid.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets as follows:

1. Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.
2. Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.
3. Permanently restricted net assets – Net assets subject to donor-imposed stipulations that the assets be maintained permanently by the Organization with the income earned on the assets to be used in operations. There are no permanently restricted net assets at September 30, 2015.

NOTE 1 – Description of Organization and Summary of Significant Accounting Policies (continued)

Temporarily Restricted Amounts

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Gifts of land, buildings, and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Use of Estimates

Management uses estimates and assumptions in preparing the consolidated financial statements. Those estimates and assumptions affect certain reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on management's assessment of the current status of individual accounts. The Organization's policy is to charge off uncollectible accounts receivable when management determines the receivables will not be collected.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, unless the investments are restricted for the purchase of property and equipment, payment of long-term debt, or endowment.

Donated Assets and Services

Donated assets are recorded at fair value at the date of donation.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

In addition, a substantial number of unpaid volunteers have made significant contributions of their time to the Organization. However, these services were not reflected as contributions in the consolidated financial statements since the recognition criteria were not met.

NOTE 1 – Description of Organization and Summary of Significant Accounting Policies (continued)

Expense Allocation

The cost of providing programs and other activities has been summarized on a functional basis in the accompanying consolidated statements of activities and functional expenses. Directly identifiable expenses are charged to program services and supporting activities. Expenses related to more than one function are charged to program services and supporting activities on the basis of periodic expense studies. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Taxes

CFC and Legacy are not for profit corporations that qualify as tax-exempt organizations under Internal Revenue Code Section 501(c)(3) and comparable state law.

As of September 30, 2015, CFC and Legacy had no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements. CFC and Legacy will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax if incurred.

CFC's and Legacy's informational tax returns are subject to review and examination by federal and state authorities. The tax returns for the years ended September 30, 2012 to 2014 are open to examination by federal authorities and for the years ended September 30, 2011 to 2014 by state authorities.

Investments and Investments Restricted for Charitable Trust

The investments and investments restricted for charitable trust portfolios include cash and cash equivalents, U.S. Treasury notes, government agency bonds and notes, corporate and foreign bonds, and equity securities. The assets are presented in the consolidated financial statements at market value based on quoted market prices. Unrealized gains and losses are included in the change in net assets. Expenses relating to investment revenues, including investment advisory fees were $19,155 for the year ended September 30, 2015, and have been netted with revenues in the accompanying consolidated statement of activities.

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect account balances and the amounts reported in the consolidated financial statements.

Land, Buildings and Equipment

Land, buildings and equipment are stated at cost. The cost of maintenance and repairs is expensed as incurred; significant acquisitions and improvements which cost more than $1,500 with a useful life of more than three years are capitalized.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	25 years
Improvements	3 - 25 years
Equipment, fixtures and vehicles	3 - 7 years

NOTE 1 – Description of Organization and Summary of Significant Accounting Policies (continued)

Supplementary Cash Flow Statement Disclosures

Cash paid for interest during the year was $20,593, none of which was capitalized. No cash was paid for income or excise taxes.

NOTE 2 – Fair Value Measurements

The Organization's financial reporting includes a three tier fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and lowest priority to unobservable inputs (level 3 measurements).The three levels of the fair value hierarchy are described below:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The applicable assets and liabilities accounted for on a recurring basis under the fair value hierarchy at September 30, 2015, as follows:

	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Equity securities	$ 100,101	$ 0	$ 0	$ 100,101
Fixed income	0	42,020	0	42,020
Alternatives	0	1,266	0	1,266
	100,101	43,286	0	143,387
Investment restricted for deferred compensation plan				
Single premium immediate annuity	0	0	198,433	198,433

NOTE 2 – Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	Total
Investments restricted for charitable trust				
Cash equivalents	$ 74,805	$ 0	$ 0	$ 74,805
Equity securities	958,582	0	0	958,582
Fixed income	0	371,968	0	371,968
Alternatives	0	13,664	0	13,664
	1,033,387	385,632	0	1,419,019
Total assets	$ 1,133,488	$ 428,918	$ 198,433	$1,760,839
Liabilities				
Deferred compensation liability	$ 0	$ 0	$ 198,433	$ 198,433
Total liabilities	$ 0	$ 0	$ 198,433	$ 198,433

Fair values of investments and investments restricted for charitable trust are determined by the market approach, using quoted market prices for similar investments, yield curves, and other relevant information.

Fair value for the investment restricted for deferred compensation plan and the deferred compensation liability have been measured using the income approach based on calculating the present value of the estimated future distributions. This approach takes into account the determination of an appropriate risk-adjusted discount rate (3% at September 30, 2015), the life expectancy of the annuitant as calculated using the Social Security's life expectancy calculator, and the required distributions under the terms of the agreement and annuity purchased to fund the agreement. The Legacy remeasures the fair value of the asset and liability annually and adjusts the measurement inputs based on relevant data.

The table below presents information about the changes in the investment restricted for deferred compensation plan and the deferred compensation liability:

Balance, October 1, 2014	$ 226,724
Distributions	(24,024)
Change in fair value	(4,267)
Balance, September 30, 2015	$ 198,433

NOTE 3 – Accounts Receivable

Accounts receivable consists of the following:

DCS	$ 746,679
Mercy Maricopa Integrated Care	106,873
Other	51,010
	904,562
Less allowance for doubtful accounts	(25,000)
	$ 879,562

NOTE 3 – Accounts Receivable (continued)

Accounts receivable more than ninety days old were approximately $68,000 at September 30, 2015.

NOTE 4 – Investment Restricted for Deferred Compensation Plan and Deferred Compensation Liability

During a prior year, the Legacy approved a nonqualified deferred compensation plan and a related Rabbi Trust (the "Trust") for the current executive director of the Legacy who was also the former executive director of CFC. The arrangement is in exchange for past services performed by the individual on behalf of CFC. To provide a source of funds to assist in meeting the liabilities under the arrangement, the Trust purchased a single premium immediate annuity with terms guaranteeing $2,002 monthly payments for 10 years certain and life thereafter for the individual. The Legacy owns the Trust and is also the beneficiary for the purchased annuity.

NOTE 5 – Investments Restricted for Charitable Trust

In a prior year, the Organization was the recipient of a charitable trust. The charitable trust agreement states that distributions from the trust must be held as an Organization endowment fund to support future operational activity. Net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Arizona enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in 2008, the provisions of which apply to endowment funds existing on or established after that date. In compliance with UPMIFA, assets are held in an endowment fund, unless stated otherwise in a gift. The Organization classifies as temporarily restricted net assets (a) the original value of all gifts on the date received by the Organization and (b) accumulations of net assets added to the fund until those amounts are appropriated for expenditure.

The spending policy is defined by the charitable trust agreement which allows the greater of (1) the entire net income generated by the fund or (2) the "minimum investment return" to be distributed each calendar year to the Organization for operational activities. The term "minimum investment return" refers to a calculation under Section 4942 of the Internal Revenue Code, which is essentially 5% of the assets of the charitable trust.

The Organization has adopted investment policies, approved by the Board of Directors, which attempt to provide a predictable stream of funding to operations while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a diversified asset mix, which includes equity and debt securities, and is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

NOTE 5 – Investments Restricted for Charitable Trust (continued)

Changes in endowment net assets as of September 30, 2015, are as follows:

Charitable trust net assets, October 1, 2014	$	1,525,981
Investment income		
Interest		32,695
Realized/unrealized losses, plus $19,155 of investment fees		(72,437)
Distributions		(67,220)
Charitable trust net assets, September 30, 2015	$	1,419,019

NOTE 6 – Land, Buildings and Equipment

Land, buildings and equipment consist of the following at September 30, 2015:

Land	$	255,620
Office buildings		1,208,629
Building improvements (thrift stores, offices)		79,954
Office furniture and equipment		282,319
Vehicles		70,459
		1,896,981
Less accumulated depreciation		(1,102,966)
	$	794,015

The Tucson office building is pledged as collateral on the note payable (NOTE 9). Total depreciation expense for the year was $75,064.

NOTE 7 – Other Assets

Other assets at September 30, 2015, were comprised of the following:

Lease deposits	$	5,000
Leasehold interest for time-shared resort		7,500
	$	12,500

NOTE 8 – Capital Lease

In a prior year, the Organization acquired equipment under a capital lease, which contains a bargain purchase option at the end of the lease term. The economic substance of the lease is that the Organization is financing the acquisition of the equipment through the lease and accordingly, it is recorded in the Organization's assets and liabilities. The cost of the asset, which is included in furniture and equipment, was $45,000 and accumulated depreciation was $32,250 at September 30, 2015.

NOTE 8 – Capital Lease (continued)

The following is a schedule of future minimum payments required under this lease as of September 30, 2015:

Year Ending September 30,		
2016	$	12,168
2017		4,056
Total minimum lease payments		16,224
Less amount representing interest		(1,358)
Present value of lease payments	$	14,866

NOTE 9 – Note Payable

The note payable consists of the following:

Bank loan, 4.8%, principal and interest payments of $2,928 for 120 months through August 2025 when balloon payment due, secured by real property	$	373,442

Maturities on the note payable at September 30, 2015, are as follows:

Year Ending September 30,		
2016	$	17,536
2017		18,397
2018		19,300
2019		20,247
2020		21,240
Thereafter		276,722
	$	373,442

NOTE 10 – Agency Fund

In 1992, the Organization received funds from the former clients of two adoption agencies, which are no longer in existence. The funds are to be used for the storage of adoption files for ninety-nine years. The balance in the agency fund liability account at September 30, 2015, is $7,667.

NOTE 11 – Designated Net Assets

The Board of Directors for Arizona Children's Legacy has designated net assets of $300,000 for future property improvements and acquisitions.

NOTE 12 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

Program services	$	56,376
Charitable trust – annual distributions for operational activities		1,419,019
	$	1,475,395

NOTE 13 – Restricted Expenses

Net assets were released from restrictions by incurring expenses satisfying the following restricted purposes:

Program services	$	60,329
Charitable trust - annual distributions for operational activities		67,220
	$	127,549

NOTE 14 – Service Fee Revenue

For the year ended September 30, 2015, service fee revenue consisted of the following:

DCS/DDD	$	2,853,469
Magellan Health Services/ Mercy Maricopa Integrated Care		681,579
Other		1,227,083
	$	4,762,131

NOTE 15 – Operating Lease Commitments

The Organization has operating leases for facilities in Phoenix, Tucson, and Mesa, which expire in February 2019, June 2016 and August 2016, respectively. Rental expense for the year ended September 30, 2015, was $108,447, which included common area maintenance ("cam") and rental tax expenses. Future minimum rental payments, excluding cam and taxes, are as follows:

Year Ending September 30,		
2016	$	80,181
2017		50,976
2018		52,536
2019		17,686

NOTE 15 – Operating Lease Commitments (continued)

In October 2015, the Organization entered into a new agreement for additional space at the Phoenix location. The lease term is for six months with the option to renew for an additional six months, with month payments of $1,000.

The Organization also leases copiers under operating leases, which require monthly payments of $1,344 and $290, plus taxes and other fees, and expire in February 2019 and April 2020, respectively. Total rental expense under copier lease agreements for the year ended September 30, 2015, was $20,665. Minimum future rental payments are as follows:

Year Ending September 30,		
2016	$	19,596
2017		19,596
2018		19,596
2019		19,596
2020		6,347

NOTE 16 – Line of Credit

A line of credit was available to the Organization, which matures on November 15, 2016. The $300,000 line of credit accrues interest on the outstanding principal balance at the greater of a floating rate equal to the prime rate plus 2.0%, with a maximum rate of 5%. No advances were made during the year and no balance was due as of September 30, 2015.

NOTE 17 – Pension Plan

The Organization established a retirement plan pursuant to Section 403(b) of the Internal Revenue Code, replacing the Simplified Employee Pension Plan. To participate in either plan, employees must be at least 21 years of age and have one year of service with the Organization. A predetermined contribution is made to the account of each eligible employee based on annual compensation levels. Contributions are established by the Board of Directors annually and can be up to 15% of eligible compensation, as set by Federal regulations. For the year ended September 30, 2015, the contribution rate was 3% of employee's compensation and total pension expense was $53,871.

NOTE 18 – Credit Risk

At various times during the year, the Organization maintains bank balances in excess of the $250,000 FDIC insurance limit. The risk is managed by maintaining all deposits in high quality financial institutions. The Organization also has cash equivalent funds that are covered by SIPC insurance.

NOTE 19 – Prior Period Adjustment

During the prior year, the Legacy approved a nonqualified deferred compensation arrangement guaranteeing monthly payments to the participant over the remainder of her lifetime. The arrangement was deemed fully funded through the purchase of a single premium immediate annuity. For the year ended September 30, 2014, the investment restricted for the deferred compensation plan, which consisted of the annuity, was reported with a fair value measured on a recurring basis using the market approach.

During the year ended September 30, 2015, it was determined that the fair value of the asset consisting of the single premium immediate annuity should be measured on a recurring basis using the income approach. This value approximates the fair value of the related deferred compensation liability. As such, a prior period adjustment of $38,332 has been recorded during the year ended September 30, 2015, to properly reflect the beginning fair value of the investment restricted for the deferred compensation plan.

NOTE 20 – Subsequent Events

Management has evaluated subsequent events through the report date which is the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTAL INFORMATION

Romek, Sanders & Company, P.C.
Certified Public Accountants
Members of American Institute of Certified Public Accountants
and Arizona Society of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON CONSOLIDATING INFORMATION

To the Board of Directors
Christian Family Care Agency, Inc.

We have audited the consolidated financial statements of Christian Family Care Agency, Inc. as of and for the year ended September 30, 2015, and our report thereon dated February 5, 2016, which expressed an unqualified opinion on those consolidated financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information in Schedules I and II is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information in Schedules I and II is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Romek Sanders & Company, P.C.

February 5, 2016

1640 South Stapley Drive, Suite 126 / Mesa, Arizona 85204 / (480) 820-5041 / FAX: (480) 775-8705

CHRISTIAN FAMILY CARE AGENCY, INC.
Consolidating Schedule of Assets, Liabilities and Net Assets
September 30, 2015

	Christian Family Care Agency, Inc.	Arizona Children's Legacy	Eliminations	Total
ASSETS				
Cash and cash equivalents	$ 1,098,153	$ 135,867	$ -	$ 1,234,020
Investments	10,766	132,621	-	143,387
Prepaid expenses	22,735	-	-	22,735
Accounts receivable	879,562	-	-	879,562
Due from related party	3,000	-	(3,000)	-
Investment restricted for deferred compensation plan	-	198,433	-	198,433
Investments restricted for charitable trust	1,419,019	-	-	1,419,019
Land, buildings and equipment, at cost, less accumulated depreciation	68,663	1,303,100	(577,748)	794,015
Other assets	12,500	-	-	12,500
Total assets	$ 3,514,398	$ 1,770,021	$ (580,748)	$ 4,703,671
LIABILITIES				
Accounts payable	$ 125,995	$ -	$ -	$ 125,995
Due to related party	-	3,000	(3,000)	-
Accrued liabilities				
Payroll and other benefits	284,209	-	-	284,209
Deferred compensation liability	-	198,433	-	198,433
Interest	-	1,218	-	1,218
Unearned revenue	42,428	-	-	42,428
Capital lease payable	14,866	-	-	14,866
Note payable	-	373,442	-	373,442
Agency fund	7,667	-	-	7,667
Total liabilities	475,165	576,093	(3,000)	1,048,258
NET ASSETS				
Unrestricted				
Undesignated	1,510,041	(35,730)	-	1,474,311
Designated	-	300,000	-	300,000
Net investment in land, buildings and equipment	53,797	929,658	(577,748)	405,707
	1,563,838	1,193,928	(577,748)	2,180,018
Temporarily restricted	1,475,395	-	-	1,475,395
Total net assets	3,039,233	1,193,928	(577,748)	3,655,413
Total liabilities and net assets	$ 3,514,398	$ 1,770,021	$ (580,748)	$ 4,703,671

CHRISTIAN FAMILY CARE AGENCY, INC.
Consolidating Schedule of Revenues, Expenses and Changes in Net Assets
For the Year Ended September 30, 2015

	Christian Family Care Agency, Inc.	Arizona Children's Legacy	Eliminations	Total
Revenues and Support				
Service fees	$ 4,762,131	$ -	$ -	$ 4,762,131
Contributions	1,790,874	10,000	(40,000)	1,760,874
Thrift store sales	355,180	-	-	355,180
Special events	56,936	-	-	56,936
Rent	-	127,800	(127,800)	-
Interest and dividends	36,418	3,145	-	39,563
Realized and unrealized losses, net	(72,437)	(5,511)	-	(77,948)
Other	819	-	-	819
Total revenues and support	6,929,921	135,434	(167,800)	6,897,555
Expenses				
Program services	5,023,481	94,126	(144,223)	4,973,384
Supporting activities				
Fundraising	434,851	3,732	(5,718)	432,865
General and administrative	482,427	32,513	(17,859)	497,081
Total supporting activities	917,278	36,245	(23,577)	929,946
Total expenses	5,940,759	130,371	(167,800)	5,903,330
Change in net assets	989,162	5,063	-	994,225
Net assets, beginning of year, as previously reported	2,050,071	1,227,197	(577,748)	2,699,520
Prior period adjustment	-	(38,332)	-	(38,332)
Net assets, beginning of year, as restated	2,050,071	1,188,865	(577,748)	2,661,188
Net assets, end of year	$ 3,039,233	$ 1,193,928	$ (577,748)	$ 3,655,413